



MARK BRNOVICH
ATTORNEY GENERAL

OFFICE OF THE ATTORNEY GENERAL
STATE OF ARIZONA

May 24, 2019

Via Overnight Delivery and U.S. Mail

John Legere
President and Chief Executive Officer
T-Mobile US, Inc.
12920 SE 38th Street
Bellevue, WA 98006

**Re: Proposed T-Mobile U.S., Inc. ("T-Mobile") and Sprint Corporation ("Sprint")
Merger**

Dear Mr. Legere:

As Arizona's chief law enforcement officer, I have an obligation to protect Arizona consumers from mergers that would reduce competition, thereby resulting in higher prices and fewer and/or poor services. Accordingly, I am concerned about the effects of the proposed T-Mobile and Sprint merger which would combine two of the main four wireless carriers in the United States, leaving just three national competitors. In particular, I am troubled about the effects of the proposed merger on (1) broadband access in rural Arizona, including tribal nations' territory; (2) lower-cost network options that are currently available to Arizonans; and (3) employment opportunities in communities located throughout my state.

As you are aware, there currently exists a distinct digital divide in the provision of wireless and broadband services nationwide between urban and rural areas. T-Mobile generally has represented that the proposed merger would enable it to better roll out next-generation wireless technology, yet it has not publicly provided any information regarding specific plans to implement 5G technology in rural Arizona, including tribal nations' areas, post-merger.

Furthermore, T-Mobile has a history of underserving rural areas. It often has failed to work with rural carriers, failed to provide its subscribers with roaming access to rural networks, and, when required to provide access, charged roaming rates at an exorbitantly higher rate than Sprint. Moreover, T-Mobile admitted in a 2018 consent judgment with the Federal Communications Commission that it failed to complete phone calls in rural areas and used "false ring tones" that made it appear that the calls were going through and no one was picking up. T-Mobile's history raises significant questions about the long-term impact of the proposed merger on rural areas, including tribal nations, within Arizona.

I also am concerned about the proposed merger's likely negative effect on Mobile Virtual Network Operators ("MVNOs") that provide an important, low-cost alternative to facilities-based carriers. As you are aware, MVNOs enter into agreements with facilities-based carriers to resell wireless network

capacity. Through these agreements, MVNOs share the infrastructure created by facilities-based carriers, reducing their cost of entry into the wireless and broadband market. MVNOs in turn are able to offer wireless network service to underserved consumers at a lower cost. Reducing the number of facilities-based carriers to three - especially when they would have virtually equal market share - likely would result in less competition for MVNO contracts, leading to higher prices for consumers.

Historically, Sprint has provided the most favorable terms to MVNOs for access to its network. T-Mobile, on the other hand, has a history of not cooperating with MVNOs or being outright hostile. I am concerned that the proposed merger would result, at best, in agreements between facilities-based carriers and MVNOs with substantially less favorable terms than the agreements forged in the present market, or, at worst, in cancellation of the MVNO access agreements. Based on the number of MVNOs that currently resell access to the Sprint network, over half of the MVNO market will be left to the new T-Mobile after the merger. If T-Mobile chooses not to participate in the MVNO business, there is little doubt that the price consumers ultimately pay would increase significantly or many consumers may be forced to exit the mobile phone market because using a facilities-based carrier is not economically viable. Neither outcome is acceptable.

Finally, while T-Mobile has generally asserted that the proposed merger will result in more jobs, reports indicate that tens of thousands of people could lose their jobs as the new T-Mobile shuts corporate-owned or authorized dealer stores or dramatically terminates the use of vendors. I am particularly concerned about the effect on Arizona communities.

I am hopeful that, in response to the concerns articulated herein, T-Mobile will voluntarily provide my office and the United States Department of Justice with the following information:

- 1) A specific plan for the expansion of wireless coverage and broadband access for rural parts of Arizona, including tribal nations located within the state;
- 2) Specific assurances that T-Mobile will continue to partner with MVNOs and in a competitive manner, with a detailed explanation of how T-Mobile plans to do so; and
- 3) An explanation of how the proposed merger will result in more jobs or maintain a comparable number of jobs for Arizonans, and an assurance that the merger will not result in layoffs for Arizona residents. If T-Mobile anticipates that the merger would result in layoffs (even if a net job gain is anticipated), please indicate the approximate number of layoffs you anticipate in the State of Arizona, including third party vendors.

Please provide a written response to the above questions within the next 15 days. I appreciate your attention on these issues.

Sincerely,

A handwritten signature in black ink that reads "Mark Brnovich". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Mark Brnovich
Arizona Attorney General

Cc: The Honorable Makan Delrahim, Esq. United States Department of Justice Antitrust Unit
The Honorable Ajit Pai, Chairman of the Federal Communications Commission